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LIVESTOCK VALUE CHAIN - BEEF

Commodity Action Plan

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Blessed by abundant grain crops and lush pastures, Serbia has a long run competitive advantage in producing and exporting red meats, mainly beef. This subsector is one of the most valuable sectors in Serbia's agricultural economy, accounting for over US \$1 billion of Serbia's total of \$6 billion of agricultural Gross Domestic Product (GDP) in 2007. Given the current high priced market for red meats in Serbia, boosting livestock yields in response to a growing market demand seems sensible to almost all the industry experts surveyed by the Agribusiness Project. Since Serbia has relatively low meat yields -- half those of Hungary, and 50% below Croatia -- improving marketable meat yields should rapidly boost production and sales income simply by adopting more modern farm management techniques.

Dynamics/driving forces

The global demand for beef is increasing worldwide as a result of increased consumer preference in Europe and Russia and developing countries. The rise of consumer standards will lead to increased beef consumption, especially because it is recommended by nutritionists as being healthier than pork. CEFTA countries are also becoming good export destinations due to a rising trend in beef consumption. However, many countries are increasing requirements for Food Safety Standards, an issue to be addressed by export countries. The Serbian beef industry is transitioning towards world production standards, relying primarily on EU regulations, as a natural step in the accession process. Therefore, the EU export quota for Serbia as a country with export aspirations is serious challenge. Serbian beef exports must increase by almost 3 times to fill the quota. This presents both a challenge and an opportunity.

Several factors will be driving the Serbian beef industry over the next few years. These include: rising prices, increasing demand both domestically and abroad, investment in large production and packing facilities, and consolidation of small slaughter houses.

- Rapidly rising prices in the Serbian domestic and international markets. As world food prices soar, the cost of grain to feed livestock is also rising. It is becoming more and more costly to produce meat when grain prices are high. Higher fuel prices also contribute to the high cost of production for processing and marketing.
- Meat processing plant capacity utilization is very low raising the price of processing. The lack of capacity is due to inefficient technologies of primary production including feeding, breeding and management.

- Increasing consumer income and interest in value added products. Increased incomes and a growing middle class in developing nations such as India and China and the reemergence of Russia as a strong economic player creates a new markets and new demands for livestock products and an increase in demand for new, value added meat products.
- New foreign investment: In the last year, at least one new 30 million dollar production and processing facility has been announced for Serbia. This creates a challenge for smaller processors in supply, product lines, pricing and markets.
- Producers are allowed subsidies for officially registered cattle. This registration has lagged in most areas and is costing producers in competitiveness and income.

External

- Increasing global demand from a growing middle class (EU, Russia, CEFTA, Asia)
- Increased requirement for Quality and Food Safety Standards for export market (Farm and plant certification, meat quality standards, food safety)
- EU meat production quota

Internal

- Increased role of supermarkets in beef meat and beef product marketing;
- Consolidation of meat processing plants;
- Foreign investment;
- Increased consumers' income and demand for beef; and
- Registration of cattle.

Implications for Serbia

The driving forces in the beef industry must result in changes in the industry in Serbia. The industry must recognize that it needs to make important changes to take advantage of a once important export commodity. Serbian beef producers should recognize that:

- There is an important shortfall in production;
- Small, inefficient slaughterhouses are not and will not be competitive with newer, EU certified slaughterhouses;
- Increased production requires changes in livestock management, service providers and links to and from ABDS, processors and producers; and
- Serious consideration must be given to international standards and certifications to open new markets.

Vision for Growth and Objectives

Although Serbia has been granted an opportunity to export beef products to EU and Russia, the main markets remain ex-Yugoslav countries, accounting for almost 98% of exports. Serbia needs to fulfill the export quota it has for EU amounting to 8,700 tons as soon as possible and request a new

quota of up to 20,000 tons, before accession. It is a realistic scenario because at the moment there is lack of beef in the amount of 300,000 tons annually in EU. The shortage of beef in the EU is expected to double in the next six to seven years. Increasing supermarket share in overall trade will lead to a new way of meat packaging and presentation.

In accordance with the Agribusiness project goals to increase (export) sales, create jobs and enhance ABDS provision, the beef industry sector's focus is primarily on EU market, CEFTA countries and Russia while the domestic market, currently accounting for almost 98% of all sales, will not be ignored. Supplying the domestic market, while increasing export sales, is the overall goal of the Agribusiness Project.

The project will achieve the following results based on its program of training qualified ABDS extension agents and linking suppliers, producers and processors in a formal network of business to business activities:

- 20,000 tons or US \$100 million of additional annual exports by 2012;
- Boost domestic market sales by over 25,000 tons or about \$110 million by 2012;
- For the increased export of 20,000 tons annually Serbia needs to have 100,000 bulls in organized fattening operations;
- Create service providers to register cattle and other livestock for government subsidies; and

Strategy

- Focus on Medium Sized Farms with 50 to 100 bulls for fattening;
- Initially focus concentration on 3 to 5 slaughter house (points of leverage) and develop the links with the farmers;
- Disseminate and leverage the best experience to other participants in the meat processing industry;
- Use and further build Local Service Provider capacity to deliver services to the sub sector;
- Promote a commercial approach in fattening operations;
- Increase yields and efficiency in current production systems;
- Expand livestock certification by creating service providers; and
- Coordinate closely with the Ministry of Agriculture (leveraging our comparative advantage).

Focus of Activities

- Medium Sized Farms;
- Service Provider Development;
- Commercial Farming Promotion;
- Medium to large slaughter houses; and
- Project Marketing Activity.

Medium Sized Farms

Medium sized farms are one focus. Medium sized farms have advantages over small producers in cost of production, access to government subsidies when registered (both farm and animals) and access to commercial credit. Criteria for selection of the medium sized farms to be project partners are: proactive managers, levels of investment, and their competitive position.

Beginning with Frida Bauman's group of experts, the project will work with 100 farms and then use them as a model for to train other service providers in best practices. It seems realistic to work with up to 200 medium size farms during the project lifetime with respect to regional coverage. Each farm, except in mountain areas, should have at least 30 bulls for fattening and the tendency and opportunity to grow.

- Development and consolidation of medium sized farms
 - Support to beef systems production economics (STTA, ABDS providers)
 - Support to improved beef nutrition and food supply logistics (STTA, ABDS providers)
 - Introduce management training programs (awareness study tours, STTA)
 - Increase awareness of and adoption of quality requirements for export markets (STTA, study tours)
 - Improve market linkages (marketing team)
 - Increased access to finance packages (Government's and EU funds/projects)
 - Improved farm management for more efficient production (ABDS providers)
 - Build producers association (STTA)
 - Facilitate livestock certification (ABDS providers)

Service Provider Development

ABDS Providers are important in strengthening the linkages and efficiencies between farmers and meat processing industry businesses. The project will work with selected slaughter houses and interested municipalities to identify local experts or ABDS providers which will be included in capacity building programs. Up to 100 ABDS providers will be trained by Frida Bauman's SUOOKS and AGRAR KONTAKT consulting companies during Agribusiness Project's assistance. This will:

- Deliver quality and supply through farms and slaughter houses and the processing industry
 - Support training of trainers/technical capacity building (ABDS/ STTA)
 - Support business skills (STTA and ABDS providers) development
 - Establish database of service providers and networking
 - Organize relevant study tours for ABDS providers to enhance capacity

Commercial Farming Promotion

The project plans on working primarily with selected farmers in cooperation with medium sized meat processing industry units, which will serve as replicating models. However, the project will be flexible and may work directly with farmers' groups interested in developing commercial farming business. Some municipalities like Novi Sad, Zrenjanin and Kraljevo already expressed interest in cooperating on beef production projects. The Agribusiness Project will also consider working with local/regional governments and will provide support in:

- Farm management trainings (100 farms in conjunction with 3 to 5 meat processing plants in the beginning and extension services in different municipalities)
 - Train and monitor 100 farmers in cooperation with meat processing plants and local ABDS providers
 - Train additional 400 farmers by 2012

- Business planning and finance facilitation (Government Development Fund, banks, insurance companies)
 - Train 200 farmers
 - Develop 50 investment/business plans
- Awareness study tours in country and abroad (in cooperation with USDA, local/regional governments)
- Demo farms (in cooperation with processing industry and local/regional governments)

Medium to large slaughter houses

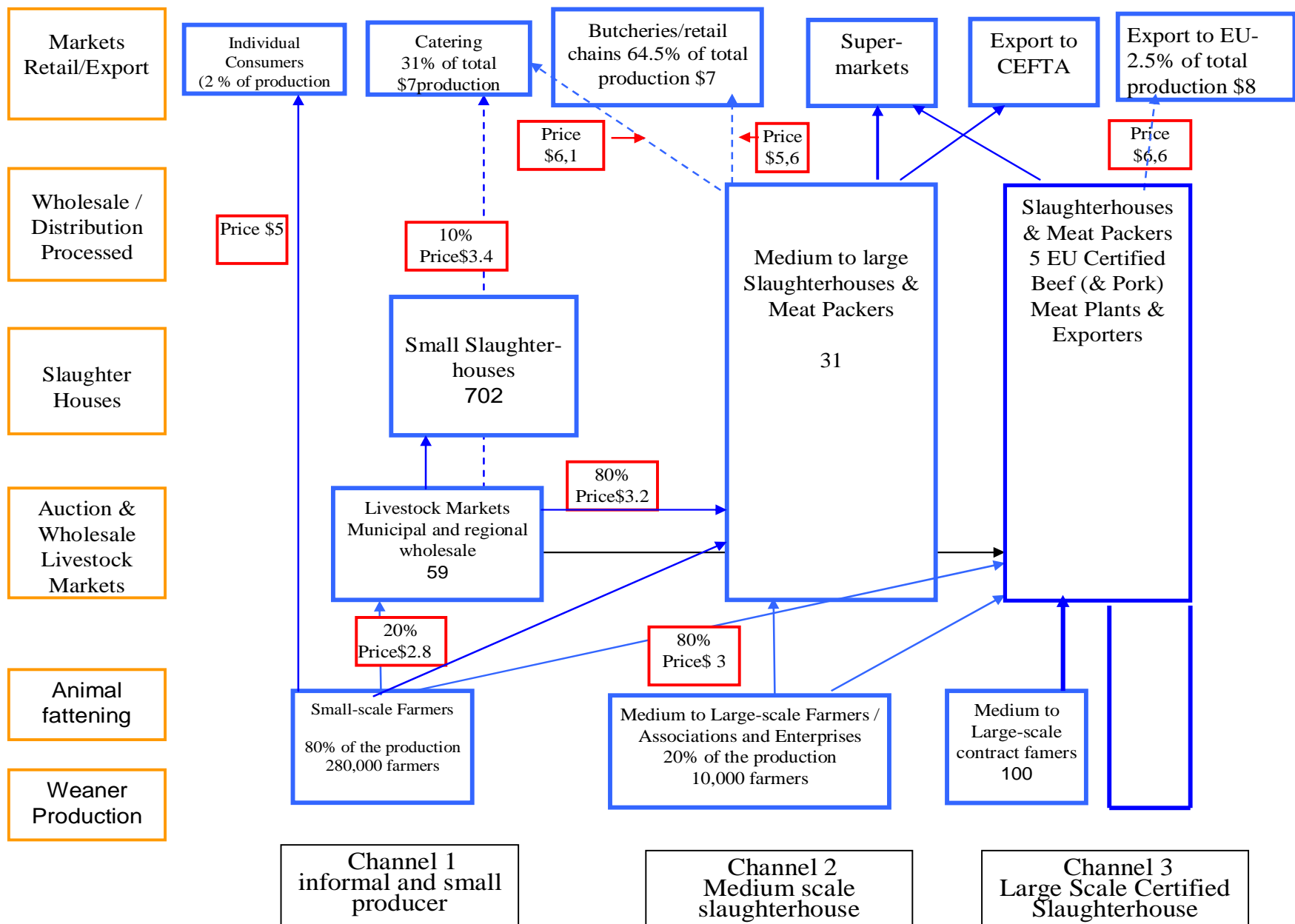
By working with recently EU certified plants and new investments in Slaughter Houses the Project will reach many producers and encourage the industry to provide contractual supply agreements and other farm level investments to boost beef production. The “Baby Beef” Meat Producers Association of 5 slaughter houses are already investing in cattle farms and importing breeding stock and buying calves for fattening, so that demand from downstream in the marketing chain is driving the industry to expand.

- Work with the 5 EU Certified Slaughter Houses (Stokoimpex/Knjazevac, Cajetina, Big Bull/Bacince, Sombor, Yuhor/Delta/Jagodina, Kobis/Novi Sad, and Backa Topola) to boost export and domestic sales.
- Assist the Slaughter Houses in meeting international standards for cattle registration and beef processing (HACCP, etc.).

Project Marketing Activity

The Agribusiness Project will use proactive producers/farmers and producer organizations to replicate the success and involve potentially new beneficiary institutions. Project visibility is considered important. The project will work with selected media and specialized agricultural TV shows to have national coverage of the project activities (TV Farma, Agrolink...). Furthermore, official Agribusiness project web portal will be updated regularly for information dissemination.

- Develop media for project activity dissemination and marketing
- Work to attract new domestic/foreign investors.
- Boost international presence of Serbian beef sector using foreign media.
- Work with other programs in developing beef production projects (MEGA, EU, local/regional institutions)



COMMODITY PLAN CHART

ACTIVITIES	STAKEHOLDERS	TIME FRAME
Medium Sized Farms		
Farm enterprise Production Economics- beef production	STTA, ABDS Providers	Year 2-3
Food Supply Logistics- production and nutrition requirements	STTA, ABDS Providers	Year 1,2
Management training	STTA, ABDS Providers	Year 1,2
Quality of meat requirements for export markets	STTA, ABDS Providers	Year 1,2,3
Market linkages established	Marketing team	Year 1-5
Finance facilitation and uptake	Governments and EU funds/projects	Year 1-5
Farm Management for efficient production	STTA, ABDS Providers	Year 1-5
Livestock certification	ABDS	Year 1-5
Build Producers Association	STTA,	Year 1,2
Service Provider Development		
Training of Trainers/Technical Capacity	STTA, ABDS Providers	Year 1,2
Business skills	STTA, ABDS Providers	Year 1,2
Database of service providers and networking	ABDS	Year 1,2
Study tour for ABDS	STTA	Year 2,3
Commercial Dairy Farming Promotion		
Farm management trainings	STTA, ABDS Providers	Year 1,2,3
Business planning and finance facilitation	Government Development Fund, banks, insurance companies	Year 1-5
Awareness study tours in country and abroad	USDA, local/regional governments	Year 2-3
Demo farms	Local/regional governments	Year 2-4
Traceability from farm to fork	Donors and local/regional institutions	Year 2-5
Medium to large slaughter houses		
Work with the 5 EU Certified Slaughter Houses to boost export and domestic sales		

Assist the Slaughter Houses in meeting international standards for cattle registration and beef processing		
Project Marketing Activity		
Develop media for project activity dissemination and marketing	Media houses	Year 1-5
Work to attract new domestic/foreign investors	Chamber of Commerce	Year 2-4
Information to foreign media in order to have international presence of Serbian beef sector		Year 1-5
Work with other programs in developing dairy projects	MEGA, EU, local/regional institutions	Year 1-5